



Controller's Office – Desk Guide

Balance Sheet Account Reconciliations

Policy Reference

LBNL: Financial Policies and Procedures – Balance Sheet Account Reconciliations

http://www.lbl.gov/Workplace/CFO/fpt/policies/policies_alpha.html

Purpose

The purpose of balance sheet account reconciliation desk guide is to provide Account Reconciliation Owners and Reviewers with instruction as to how to complete a reconciliation that is in alignment with discipline best practices and management's expectations.

The Controller's Office has a history of audit recommendations in this area and it is imperative that the desk guide as seen as the definitive source for a consistent approach to the preparation and review of balance sheet reconciliations throughout the organization.

Procedure Participants

Account Reconciliation Owner	Ownership responsibility is assigned to an Accountant knowledgeable of the account with the accounting skill to prepare the reconciliation.
Account Reconciliation Reviewer	Each balance sheet account will also be assigned a reviewer at the Principal Accountant or Manager level. Reviewer responsibility is assigned to an Accountant/Manager knowledgeable of the account with accounting skill to review the reconciliation.

System(s) Used

The current accounting system of record will be the source of the general ledger account balance that is being reconciled. If a sub-system (i.e. accounts payable, fixed assets, payroll, etc.) is one of the transaction posting sources, it will be included as part of the comparison process.

Inputs

The following items are considered sources for complete account reconciliation:

1. Copy of the detail GL postings for the period being reconciled
2. Copy of a trial balance reflecting the account balance for the period being reconciled



Controller's Office – Desk Guide

Balance Sheet Account Reconciliations

3. Copy of the bank statement, AP Aging, payroll reports, fixed asset ledger, other sub-system reports or analysis spreadsheet that the GL will be compared or reconciled too
4. Copy of the previous month's reconciliation to determine if any prior reconciling items have been resolved or remain open for the current reconciliation
5. Copies of any journal entries or adjustments that are outside of the typical transaction postings

Outputs

A completed account reconciliation package will include the following:

1. Cover sheet that includes the account name, account number, brief description as to how the account is used, reconciliation period, account reconciliation owner, reviewer and dates for each; the cover sheet could be simply the top header portion of an analysis spreadsheet
2. Excel spreadsheet that details the reconciliation including comparison of the general ledger and subledger balance and clear identification of all reconciling items
3. For each reconciling item, a date of expected resolution and a responsible individual should be identified. If the reconciling item is a normal, recurring type of item, no further description of the reconciling item is required. However, if the reconciling item is other than normal and recurring or has been a reconciling item for greater than 30 days, then the reconciliation owner will document a plan for resolving the item, a date of expected resolution and a responsible individual.
4. Copy of the GL or trial balance reflecting the period balance
5. Copy any supporting sub-system or comparison source (i.e., bank statement, payroll report, fixed asset ledger, AP aging, etc.)
6. Copies of reconciling items supporting documentation (i.e., journal entry and support, outstanding AP check list, etc.)

Communications/Notifications

1. The account reconciliation owner will update the reconciliation tracking log located on the g:\Controller's Office\Reconciliation folder
2. The account reconciliation owner will present the account reconciliation to the assigned reviewer

Procedure Steps

Account Reconciliation Owner

The Controller's Office recognizes that the appropriate format for a reconciliation is driven by the type of account, its activity and the nature and amount of analysis required. Therefore, there is no prescribed template for use in reconciliation preparation.



Controller's Office – Desk Guide

Balance Sheet Account Reconciliations

The following cover sheet (or header) elements must be included in all reconciliations:

Element	Description
Account name	The account name per FMS.
Account number	The account number per FMS.
Time Period	The time period/accounting period to which the reconciliation relates.
DOE Balance Sheet Code (BSC)	For reference purposes, provide the corresponding DOE BSC that relates to the LBNL account number.
Purpose	A short paragraph or a few sentences describing the use(s) of the account.
Account Reconciliation Owner	The individual responsible for preparing the reconciliation.
Date	Date which reconciliation was completed by Account Reconciliation Owner
Account Reconciliation Reviewer	The individual responsible for reviewing the reconciliation.
Date Reviewer	Date which reconciliation review was completed by Account Reconciliation

This information can be included in a cover sheet or the header portion of a spreadsheet.

Each balance sheet account is assigned to an Account Reconciliation Owner. Account Reconciliation Owners are responsible for:

1. Preparing the account reconciliation per the timing frequency assigned (i.e. monthly, quarterly or annually).
 - a. Monthly reconciliations must be completed by the due date as determined by Controller's Office Management.
 - b. Quarterly reconciliations must be completed by the due date as determined by Controller's Office Management.
2. Including the required general information is included in the reconciliation, as described on the previous page.



Controller's Office – Desk Guide

Balance Sheet Account Reconciliations

3. Reviewing the postings to determine if there are any irregular sources of transactions.
4. Ensuring that the general ledger balance and the subledger balance are reconciled.. The reconciliation will identify the sources of any differences between the general ledger and the subledger's balances.
 - a. The subledger, or subsidiary ledger, is a subset of the general ledger. The subledger shows detail for the accounting records; such as property and equipment, prepaid expenses, etc. The detail would include such items as date the item was purchased or expense incurred, a description of the item, the original balance, and the net book value. The total of the subledger would match the line item amount on the general ledger.
 - b. If the nature of the account is such that the account does not represent a group of detail items, the appropriate support is a detailed calculation of the proper account balance.
 - c. The exact nature of the supporting documentation will vary account by account.
 - d. An analysis which recaps the general ledger activity does not constitute reconciliation and is not appropriate documentation.
5. Properly identifying and documenting all reconciling items. For each reconciling item, a date of expected resolution and a responsible individual should be identified. If the reconciling item is a normal, recurring type of item, no further description of the reconciling item is required. However, if the reconciling items is other than normal and recurring or has been a reconciling item for greater than 30 days, then the reconciliation owner will document a plan for resolving the item, a date a expected resolution and a responsible individual.
 - a. This step includes reviewing the previous month's account reconciliation reconciling items to determine if they have been cleared or remain an open item.
6. Attaching all supporting documentation for the reconciliation and each reconciling item, as appropriate, to the account reconciliation in an orderly and referenced manner.
 - a. Cross-reference each reconcilable item to the supporting documentation. Assign each reconcilable item a reference letter or number and then reference that same letter/number on the supporting documentation.
7. Submitting the account reconciliation to the appropriate Account Reconciliation Reviewer (i.e. Principal Accountant, Immediate Manager, Financial Controls and Compliance Manager or the Controller).
8. Updating the reconciliation tracking log in the G:\Controller's Office\Reconciliations\ (by fiscal year).
9. Scanning supporting documentation and the reconciliation in the G:\Controller's Office\Reconciliation folder so that the information can be easily obtained during future audits.

Account Reconciliation Reviewer

Each balance sheet account is assigned an Account Reconciliation Reviewer. Account Reconciliation Reviewers are responsible for:

- Ensuring that all the requirements identified in steps 1 – 9 in the above procedure are met.
- Validating that the supporting documentation accurately supports the reconciliation and adequately explains reconciling items.



Controller's Office – Desk Guide

Balance Sheet Account Reconciliations

- Ensuring that reconciling items are being addressed in a timely and accurate fashion and escalating issues that require management intervention to resolve.
- Challenging Account Reconciliation Owner to clarify items, as appropriate.
- Signing off on the reconciliation to demonstrate that the reconciliation meets the requirements of LBNL financial policy and the Balance Sheet Account Reconciliation Desk Guide requirements.

Author

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